Alberta

AUTOMOBILE INSURANCE BOARD

Annual Report

for the year ending
December 31, 1981

CONSUMER AND CORPORATE
AFFAIRS

Office of
the Minister

403/427-2305

224 Legislature Building
Edmonton, Alberta, Canada
T5K 2B6

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Alberta Automobile Insurance Board for the year ending December 31, 1981.

Respectfully submitted,

Julian Koziak

Minister of Consumer
and Corporate Affairs

Alberta

AUTOMOBILE INSURANCE BOARD

403/427-5428

7th Floor, Capitol Square
10065 - Jasper Avenue
Edmonton, Alberta, Canada
T5J 3B1

The Honorable Julian Koziak
Minister of Consumer & Corporate Affairs
Legislative Building
Edmonton, Alberta

Honorable Sir:

Pursuant to R.S.A. 1970, Chapter 187, The Alberta Insurance Act, Section 321.7, we respectfully submit herewith, the tenth annual report of the Alberta Automobile Insurance Board, for the year ending December 31, 1981.

A. H. Wachowich, Chairman

P. G. Galway

W. G. Stephen

ANNUAL REPORT

of the

ALBERTA AUTOMOBILE INSURANCE BOARD

for the year ending

DECEMBER 31, 1981

The Alberta Automobile Insurance Board is authorized by Section 321 of The Alberta Insurance Act to investigate any matter it thinks fit respecting automobile insurance in Alberta and to approve rates charged by insurers for compulsory automobile insurance coverages under The Motor Vehicle Administration Act.

RATES

Insurers doing business in Alberta are required by Alberta Statutes to report their experience to a Canadian statistical plan, the results of which are published annually in what is known as the Green Book. These statistics are examined by the Board's actuarial consultant and the analysis is used in weighed proportions with the insurer's own statistics and those of Insurance Underwriting Groups to establish a base for any rate maintenance or rate change sought by an insurer.

These statistical analysis for Alberta for the years 1979 and 1980 indicated changes in premiums as follows:

Year	Third Party Liability	Accident Benefits
1980	+ 25.4%	+ 25.3%
1979	+ 23.7%	+ 27.0%

This indicates experience not much different in 1980 than 1979.

The AVERAGE LOSSES AND LOSS ADJUSTMENT EXPENSES INCURRED have increased as follows:

1974	$ 931.00
1978	$1,650.00
1980	$1,881.00

and the trend shows every indication of continuing as it is, affected by such factors as inflation, increased accident frequency and increased vulnerability.

MARKET

The industry's underwriting loss ratios are breaking new records. Most insurers, sensitive to competition and willing to cushion their losses with investment income, continue with unchanged rates or cap the rate changes at less than actuarily indicated and justified. If a large number of insurers find this intolerable, a more realistic rate-to-cost will follow.

The Facility Association which started its program in Alberta on October 1, 1979, is functioning with minimal complaints from either the industry or the public. It serves the purpose of providing a ready market for those having difficulty buying insurance in the voluntary market. The Board approves both the compulsory and the physical damage coverage for this program. Success rests largely in the industry's self-regulation in avoiding over-populating this market.

MEETINGS

During the course of the twelve meetings held in 1981, the Board considered 174 applications for rate changes compared to 81 in 1979 and 90 in 1980. Of the 174 applications received in 1981, 25 were declined when examined by the Board the first time. At year end, two applications were tabled for rate reductions in some classes and three were deferred for additional supporting data.

Member W.G. Stephen and Secretary Jim Fisher attended in Toronto the meeting of Automobile Statistical Advisory Committee, Association of Superintendents of Insurance for Canada, on March 19, 1981. The purpose is to revise the Statistical Plan used by the insurance industry.

All members and Secretary attended in St. John's, Newfoundland, the Association of Superintendents of Insurance for Canada Conference on September 14 and 15, 1981. The Board invited by circular insurance companies as well as select industry interest to make welcome to appear before the Board during a meeting held during the Conference in St. John's.

Also attended by all members and Secretary, the Insurance Brokers Association of Alberta on October 29 and 30, 1981. The Board held two days of meetings during this Conference.

INQUIRIES

The Board office dealt with 62 complaints about rates in 1981. Of the 1,018 inquiries recorded, 257 were redirected to other government departments.

BENEFITS

The increase of maximum weekly disability benefits from $105 to $150 under the Accident Benefits section of the automobile policy takes effect on June 1, 1982. It appears that the increased cost per automobile including increased loss costs will be $2.00 for Private Passenger and $1.00 for Commercial vehicles.

In the last Annual Report it was pointed out that the trend of public acceptance for a limit of $500,000 for Third Party Liability had reached almost one-third of the vehicles insured by mid-1980, an increase of almost 36% from the previous year. Increased limits tables indicate that the cost of increasing the present compulsory limit from $100,000 to

$200,000	is 6%
$300,000	10%
$500,000	14%

The Board recommends compulsory Third Party Liability limits of $300,000.

The Board has encouraged the introduction of sale of the UNDERINSURED MOTORIST coverage. Reports indicate a trend towards public acceptance of this benefit.

STAFF

Jim Fisher reached retirement age and left the office in May 1981. His replacement, Edwin Collins, F.I.I.C., an Insurance Agent for 42 years and lifetime resident of Alberta, has held the office of Secretary to the Board since May 19, 1981.

PREMISES

On March 20, 1982, the Board office was moved from a single room on the 8th floor to two rooms on the 7th floor of the Capitol Square Building.

GENERAL

The Board files it Annual Report which was withheld pending receipt and review of the Classification and Rating Criteria Study for Automobile Insurance (February, 1982: I.B.C.). We are pleased with the efforts made on behalf of the insurance industry to seek out alternatives which will not offend existing human rights legislation. In light of its conclusions, however, the Board considers that the proposed changes to the existing rating structure, albeit advantageous to some consumers, will not benefit the Alberta motoring public as a whole. We commend

the passage of the Alberta Regulation 333/82 on July 20, 1982 conferring an exemption to automobile insurers from the provisions of the Individual Rights Protection Act. We believe the insurance industry will use the opportunity afforded by the exemption to continue its efforts to develop suitable rating factors. We are concerned, however, that the time period contemplated by the exemption may be insufficient to compile the credible data necessary to do so.

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Annual Report

For Year Ending
December 31, 1982

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Office of the Minister

402 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the Honour to submit the Annual Report of the Alberta Automobile Insurance Board for the year ending December 31, 1982.

Respectfully submitted,

Constantine Osterman

Constantine Osterman
Minister of Consumer
and Corporate Affairs

Alberta
AUTOMOBILE INSURANCE
BOARD

7th Floor, Capitol Square, 10065 - Jasper Avenue, Edmonton, Alberta, Canada T5J 3B1 403/427-5428

The Honorable Constantine Osterman
Minister of Consumer & Corporate Affairs
Legislative Building
Edmonton, Alberta

Honorable Madam:

Pursuant to R.S.A. 1980, Chapter 1-5, the Insurance Act, Section 344(2), we respectfully submit herewith, the eleventh report of the Alberta Automobile Insurance Board, for the year ending December 31, 1982.

.....
A. H. Wachowich, Chairman

.....
P. G. Galway

.....
J. M. Tweddle

ALBERTA AUTOMOBILE INSURANCE BOARD

1982 ANNUAL REPORT

The Alberta Automobile Insurance Board, constituted under subsection 338(1) of The Alberta Insurance Act, being Chapter 1 to 5 of the Revised Statutes of Alberta, is empowered under section 339 thereof to investigate any matters it thinks fit respecting automobile insurance in Alberta, and to approve rates charged by insurers for compulsory automobile insurance coverage under The Motor Vehicle Administration Act.

RATES

Insurers conducting business in Alberta are required by The Alberta Insurance Act to report their experience to a Canadian statistical plan, the results of which are compiled annually in a publication called the Green Book. The statistics in the Green Book are analyzed by the Board's actuarial consultant and that analysis is used in weighed proportions with the insurer's own statistics and those of insurance underwriting groups to establish a base for any rate maintenance or rate change to be considered by the Board.

The 1981 Green Book was released in June, 1982, however, an analysis of its statistics, received on microfiche by the Board's actuarial consultant was already underway by mid-June, 1982.

The statistical analysis for Alberta for the years of 1979 to 1981 indicated changes commensurate with inflation, coupled with a trend of increased accident frequency and claims intensity. While the same held true

for the third party liability rates, it is notable that the 1981 increase for accident benefits can be attributed entirely to the enrichment of the benefits effected as at June 1, 1982.

MARKET

The industry's underwriting experience continues to be unfavorable. The competitive climate remains one of the most powerful influences in prompting the largest part of the market to cap their rates at less than indications.

The Facility Association is the industry's mechanism for providing insurance coverage to those encountering difficulty in obtaining the same in the regular market. The Board monitors the Association's program of compulsory and physical damage coverage. The industry has a vested interest in avoiding over-population of this program by placing the risks in the regular market or removing the risks when the same became acceptable to the regular market.

MEETINGS

In 1982, the Board held thirteen meetings during which 198 applications were examined. This compares with 174 applications in 1981, 90 in 1980, and 81 in 1979. Of the twenty-seven applications that were declined in 1982, none were appealed, but most were reconsidered as new applications. At year end, four applications were tabled for additional information and/or rate reductions in some classes.

Secretary Collins was delegated to attend in lieu of Member Stephen at the Automobile Statistical Advisory Committee meeting on May 26, 1982.

A meeting at Government House on May 5, 1982, with the Alberta Minister of Consumer and Corporate Affairs, Minister of Labor, Human Rights Commission, and Automobile Insurance Board was a sincere and successful attempt to reconcile the conflict between certain rating practices of the automobile insurance industry and the Individual Right's Protection Act and to resolve the outstanding complaints to the Human Rights Commission.

Chairman Wachowich attended The International Insurance Seminar on June 27 to July 1, 1982.

All Members nd the Secretary attended the Conference of Superintendants of Insurance on October 25 and 26, 1982, during which the Board conducted one of its regular meetings.

Chairman Wachowich, Member Galway, and Secretary Collins attended the Insurance Brokers Association of Alberta Conference on November 7 to 11, 1982, during which the Board conducted one of its regular meetings.

Chairman Wachowich attended the 1982 Winter Annual meeting of the National Association of Insurance Commissioners on November 28 to December 3, 1982.

INQUIRIES

Inquiries and complaints are monitored for unfair and inequitable rules and practices. Complaints are assessed in terms of compliance with rates and rules, and are generally resolved by the provision of a detailed explanation. Appropriate action to rectify the disparity for the individual and/or the general public is taken by the Board. Of the 894 inquiries received by the Board office in 1982, 232 were redirected to other government departments.

BENEFITS

The Board maintains its recommendation for an increase in the compulsory Third Party Liability limit of $100,000 to at least $300,000. The percentage in increase to $300,000 is approximately 10% of the Third Party Liability premium.

STAFF

Edwin Collins, F.I.I.C., continues as Secretary to the Board. Since May, 1982, he has been considered a permanent Alberta government employee under The Public Service Act. Mary Jane Laviolette is employed as a clerk-typist.

MEMBERSHIP ON THE BOARD

A new appointment by the Lieutenant Governor in Council has been recommended by the Board to the Minister of Consumer and Corporate Affairs to replace Member W. G. Stephen, whose term expired on January 31, 1983.

The Board recommends the appointment of an additional member who has recognized insurance credentials and experience, as for example, fellowship in the Insurance Institute of Canada or Chartered Insurance Brokers.

GENERAL

The passage of the Alberta Regulation 333/82 on July 20, 1982, conferred an exemption from the provisions of the Individual Rights Protection Act to automobile insurers until December 31, 1983. The insurance industry is using the opportunity to attempt to develop a suitable statistical plan. More time is required to develop, implement, and gather data for further analysis. The Board recommends that the said exemption be extended.